



**Subject:** Minutes of the 101<sup>st</sup> meeting of the AASB

**Venue:** Ken Spencer Room, AASB offices  
Level 7, 600 Bourke St, Melbourne

**Time(s):** Wednesday 23 September 2009 from 9.00 a.m. to 6.00 p.m.  
Thursday 24 September 2009 from 8.30 a.m. to 3.45 p.m.

All agenda items except items 17, 20 were discussed in public.

## Attendance

Members            Kevin Stevenson  
                         Glenn Appleyard  
                         Victor Clarke  
                         Sue Highland  
                         Mark Jenkin  
                         Ian McPhee  
                         Kris Peach  
                         Joanna Perry  
                         Bruce Porter (Day 1 until 4:00 pm)  
                         Brett Rix  
                         Robert Williams

Apologies            John O'Grady  
                         Frank Palmer  
                         Bruce Porter (Day 2)

In Attendance        Warren McGregor, IASB Member (Day 2)  
                         Tim Youngberry, Department of Finance and Deregulation (Item 21)

Staff                    Clark Anstis (in part)  
                         Dean Arden (in part)  
                         Natalie Batsakis (in part)  
                         Maybelle Chia (in part)  
                         Ahmad Hamidi (in part)  
                         Robert Keys  
                         Jessica Lion (in part)  
                         Christina Ng (in part)  
                         Jim Paul (in part)  
                         Joanna Spencer  
                         Angus Thomson  
                         Raymond Yu (in part)

                         Staff from the NZ FRBSB dialled into the meeting for Agenda items 3, 4, 5, 7, 10, 11  
                         and 14

## Apologies, Agenda, Minutes, Matters Arising from Minutes and Declaration of Interests

Agenda Item 1

### Declarations of Interest

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board. No such declarations were made.

### Minutes

The Board confirmed the minutes of the one-hundredth meeting held on 29-30 July 2009.

### Chairman's Report

The Chairman:

- (a) tabled, for member's information, a communications report outlining the liaison between staff and external parties, AASB media coverage and AASB website activity;
- (b) welcomed Ms Daping Gao who is with the AASB, as a visiting Research Fellow, from the Chinese Ministry of Finance; and
- (c) noted the Statement of Intent issued on 20 August 2009 by the Prime Ministers of Australia and New Zealand, which sets out a number of outcomes for efficiencies between the Australian and New Zealand economies including outcomes regarding standard setting.

### Differential Reporting

Agenda Item 3

The Board had before it:

- (a) a memorandum from Ahmad Hamidi dated 8 September 2009 (Agenda paper 3.1);
- (b) an Issues Paper – *The Alternative Regime: Recommended Approach* (Agenda paper 3.2); and
- (c) a Draft Consultative Paper – *Reducing the Burden of Financial Reporting Requirements: A Proposed Reduced Disclosure Regime for Non-publicly Accountable Private Sector Entities* – September 2009 (Agenda paper 3.3).

The Board considered a draft consultative paper intended to form part of a joint AASB, Commonwealth Treasury and FRC paper, proposing a second tier of reporting requirements for general purpose financial statements (GPFSS) of private sector entities. The proposed regime involves all full IFRS recognition and measurement accounting policy options with disclosures substantially less than those required by full IFRSs ('reduced disclosure regime').

The Board agreed to the proposed approach to determining disclosures under the reduced disclosure regime, which draws on the IASB's IFRS for SMEs to identify relevant disclosures adjusted for recognition and measurement differences between full IFRSs and the IFRS for SMEs. The Board noted that the approach will help contain the cost of creating and maintaining the reduced disclosure regime.

The Board agreed that the draft consultative paper would be finalised through a Board subcommittee after amendment for the following:

- (a) the scope of the consultative paper should be extended to encompass not-for-profit entities;
- (b) the principle of 'reducing disclosure requirements for an entity lower in the group if the information is disclosed higher in the group' should not be pursued at this stage as a principle to determine disclosures under the reduced disclosure regime;
- (c) the paper should:
  - (i) include the Board's recent clarifications of what constitutes GPFs in an Australian context;
  - (ii) clarify that the concept of public accountability used to distinguish between for-profit entities that must apply full IFRSs and those that can choose to apply a reduced disclosure regime is different from the notion of public accountability generally used in relation to not-for-profit entities;
  - (iii) include additional examples of publicly accountable entities relating to the Australian context;
  - (iv) clarify that, with the introduction of the proposed reduced disclosure regime, Australian accounting Standards would consist of two tiers, full IFRSs as adopted in Australia and the reduced disclosure regime;
  - (v) clarify the impact of the reduced disclosure regime on non-reporting entities currently lodging special purpose financial statements with the ASIC;
  - (vi) clarify why the IFRS for SMEs is no longer offered as an option at this stage; and
  - (vii) draw attention to trans-Tasman efforts to harmonise reporting requirements.
- (d) the list of public sector entities that should apply full IFRSs as adopted in Australia should include as a minimum the following: Federal, State and Territory Governments, Local Governments, Government Departments, Government Business Enterprises, Statutory Authorities, and Universities.

The Board agreed to use the 'asterisks method' to identify full IFRS disclosures that are not required to be applied by entities falling under the second tier. That is, the mechanism for presenting the disclosure requirements applicable under the reduced disclosure regime would be to asterisk the disclosures in the full IFRSs as adopted in Australia with which second tier entities are not required to comply. Staff were asked to explore related practical issues.

The Board noted that the joint consultative paper is expected to be published for public comment before the end of the year with the possibility that the reduced disclosure regime becomes available for application for June 2010 year ends. The Board also noted that the Treasury is working on other aspects of the Corporations Law with a view to proposing other ways of reducing costs.

Action:

Staff  
Mr Clarke  
Ms Highland  
Mr McPhee  
Mr Porter

## **Policy for modifying IFRSs for Not-for-profit Entities**

Agenda Item 4.1

The Board had before it:

- (a) a memorandum from Angus Thomson dated 3 September 2009 (Agenda paper 4.1.1); and

- (b) a Draft Policy for Modifying IFRS for PBE/NFP – marked up copy (Agenda paper 4.1.2).

The Board considered the draft *Process for Modifying IFRSs for PBE/NFP* and agreed on a number of wording changes. The Board decided that, subject to final agreement being achieved with the New Zealand FRSB, the *Process* document, which is a joint document with the FRSB, should be made available on the AASB's website and be used in future as basis for assessing whether there is a need to modify an IFRS for application by not-for-profit entities.

In terms of process issues connected with GAAP/GFS harmonisation, the Board decided that the existing statements in the Preface to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* would suffice.

Action:

Staff

## Not-for-profit Entity Definitions

Agenda Item 4.2

The Board had before it:

- (a) a memorandum from Jessica Lion and Angus Thomson dated 24 August 2009 (Agenda paper 4.2.1);
- (b) Appendix A – New Zealand Application Guidance: *When is an entity a public benefit entity?* (Agenda Paper 4.2);
- (c) HoTARAC Guidance on Distinguishing For-Profit from Not-for-profits (Agenda Paper 4.3);
- (d) AAC – Guidance on determining whether a government entity is not-for-profit or for-profit (Agenda Paper 4.4); and
- (e) Defining a not-for-profit entity in Australia – The Accounting Perspective (Report for CPA Australia by Uni WA) (Agenda Paper 4.5).

The Board considered the agenda papers and decided not to change the current definition or issue guidance, as they had noted no significant divergence in practice in the application of the current definition.

## Fair Value Measurement

Agenda Item 5

The Board had before it:

- (a) a memorandum from Natalie Batsakis and Chris Pang dated 9 September 2009 (Agenda paper 5.1);
- (b) draft AASB submission on the IASB's Exposure Draft ED/2009/5 *Fair Value Measurement* (Agenda paper 5.2);
- (c) Collation of constituent responses to AASB ED 181 *Fair Value Measurement* (Agenda paper 5.3);
- (d) Constituent responses to AASB ED 181 Subs 1-11) (Agenda paper 5.4); and
- (e) Constituent responses to AASB ED 181 (Sub 12) (Agenda paper 5.4 additional).

The Board considered the draft AASB submission on the IASB's ED/2009/5 *Fair Value Measurement*. In considering the draft submission, the Board had regard to the comment letters received from Australian constituents.

In relation to its submission, the Board decided that:

- (a) the covering letter should clarify that the Board's support for defining fair value as an exit price:
  - (i) is provided only in the context of the ED's objectives; and
  - (ii) does not signify that the Board would support exit price as the conceptually ideal basis of measurement when the IASB issues a proposed Measurement Chapter of its *Conceptual Framework*;
- (b) paragraph (f) of the covering letter [regarding the Frequently Asked Questions and Answers prepared by IASB staff] should be integrated with paragraph (a) [which seeks clarification of whether market buying prices can continue to be used to measure the fair value of certain assets, in view of the ED's proposal to define fair value as an exit price];
- (c) the last sentence of paragraph (f) of the covering letter should not be expressed as a rhetorical question;
- (d) the comments on Question 2 should be amended to disagree with the ED's proposal to continue permitting the presentation of the measurement basis applied to financial liabilities with a demand feature (for example, call deposits) as 'fair value'. The ED excludes such liabilities from its scope and proposes that they would continue to be measured in accordance with paragraph 49 of IAS 39 *Financial Instruments: Recognition and Measurement* (which says that, when such liabilities are measured at fair value, they are not measured at less than the amount payable on demand, discounted from the first date that the amount could be required to be paid). The Board considers that the description of 'fair value' in paragraph 49 of IAS 39 is inconsistent with defining fair value as an exit price. The Board decided not to comment on whether the measurement requirements for financial liabilities with a demand feature should remain in IAS 39 or be included in the Fair Value Measurement Standard;
- (e) the comments on Question 6 should clarify that, because of the Board's stated concerns with the proposed requirement to separately disclose the 'incremental value' when the highest and best use of an asset measured at fair value differs from the asset's existing use, the Board disagrees with that proposed requirement;
- (f) the last two sentences of the last paragraph of comments on Question 6 should clarify that, in relation to property used as a factory but with a higher and better alternative use, the Board is not suggesting that the property should not be measured at fair value. Instead, the Board considers that, if it were concluded that the factory should be measured at an existing use value, such a value would not represent the property's fair value. This point should be linked with the comment earlier in the last paragraph that, from a fair value perspective, the asset held by the entity in respect of that property is the land, and not the factory.
- (g) the comments on Question 8 should clarify that, whilst the Board agrees with the proposal that the fair value of a liability should not be affected by restrictions on an entity's ability to transfer the liability, it considers that the characteristics of the participants in the relevant market for the liability would reflect any restrictions on the entities that may participate in that market;
- (h) the comments on Question 9 should be amended to disagree with the proposed consequential amendment to IAS 39 that would require deferring the recognition of any gain or loss that results from initially measuring the fair value of a financial asset or financial liability at an amount different from the transaction price, if that initial fair value is based on a level three measurement; and
- (i) the comments on Question 9 should be amended to propose that the Fair Value Measurement Standard should acknowledge that differences between the transaction price and the fair value of an asset or a liability could arise as a result of equity transactions (contributions or distributions), in which cases they should be accounted for as transactions with owners acting in their capacity as owners, rather than as a gain or loss included in profit or loss. The Board noted that such equity transactions are not restricted to related party transactions—the transactions could occur with parties without a prior ownership interest.

Mr Clarke undertook to provide to staff, out of session, examples of where fair value measurements of financial assets and financial liabilities not excluded from the scope of the IASB ED would change under the fair value guidance proposed in that ED because of its proposal to define fair value as an exit price. He expressed concern that these potential implications of the ED's proposals have not been fully identified in the ED.

The Board approved the submission, incorporating the decisions above, subject to the Chairman's review of the finalised document. Submissions to the IASB on this ED are due by 28 September 2009.

Action:	Staff Chairman Mr Clarke
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## Discount Rate for Employee Benefits

### Agenda Item 6

The Board had before it:

- (a) a memorandum from Raymond Yu dated 9 September 2009 (Agenda paper 6.1);
- (b) draft AASB submission for Exposure Draft ED/2009/10 *Discount Rate for Employee Benefits (proposed amendments to IAS 19)* (Agenda paper 6.2);
- (c) staff recommendations on paragraph Aus78.1 of AASB 119 *Employee Benefits* (Agenda paper 6.3);
- (d) copy of letter to Bruce Porter, Acting Chair AASB, from Ken Henry, Chair Heads of Treasuries, dated 4 August 2009 and response from Kevin Stevenson, Chair AASB, dated 12 August 2009 re Review by the AASB of valuation of long-term liabilities (Agenda paper 6.4);
- (e) AASB ED 187 *Discount Rate for Employee Benefits (proposed amendments to AASB 119)* (Agenda paper 6.5);
- (f) AASB constituent responses relating to ED 187 *Discount Rate for Employee Benefits (proposed amendments to AASB 119)* (Subs 1-7) (Agenda paper 6.6);
- (g) AASB constituent responses relating to ED 187 (Subs 8-9) (Agenda paper 6.6 additional); and
- (h) collation and analysis of submissions on IASB Exposure Draft ED/2009/10 (Agenda paper 6.7).

The AASB agreed with the draft submission subject to the following comments:

- (a) in relation to the general comments in the covering letter:
  - (i) clearly indicate disagreement with the IASB's proposals;
  - (ii) insert a comment that the AASB is concerned with the use of a limited exposure draft, and a limited period for comment, to introduce a change in reporting with extensive consequences; and
  - (iii) insert a comment that the AASB would see considerable benefits in having separate and more comprehensive guidance on discount rates in the longer term;
- (b) in relation to question 1, regarding eliminating the requirement to make reference to government bond rates to determine the discount rate for employee benefit obligations when there is no deep market in high quality corporate bonds:
  - (i) amend overall comment to disagree with the IASB proposal; and

- (ii) insert comment that paragraph AG82(a) of IAS 39 *Financial Instruments: Recognition and Measurement* (which it is proposed be used as guidance for estimating market yields on high quality corporate bond in the Exposure Draft) refers to the 'time value of money' and deriving a 'basic' or 'risk free' rate from observable government bond prices;
- (c) in relation to question 2, regarding the use of the fair value measurement guidance in IAS 39 to determine a discount rate, insert a comment that the AASB is of the view that the fair value measurement guidance in IAS 39 is unlikely to provide sufficient practical guidance to estimate market yields on high quality corporate bonds when there is no deep market;
- (d) in relation to question 3, regarding transition provisions proposed by the IASB, insert a comment with examples that the AASB is concerned that the focus on defined benefit liabilities is too narrow; and
- (e) delete 'other comments' relating to IAS 38 *Intangible Assets*.

The Board agreed that the submission to the IASB should be amended for the above comments and finalised with the review of the Chairman.

Action: Staff  
Chairman

## Disclosure for Private Sector Not-for-profit Entities Project

### Agenda Item 7

The Board had before it:

- (a) a memorandum from Robert Keys, Christina Ng and Maybelle Chia dated 7 September 2009 (Agenda paper 7.1);
- (b) Paper 3: *Threshold issues pertinent to service performance reporting by private sector not-for-profit entities* (Agenda paper 7.2);
- (c) Paper 1: Status report on IPSASB and NZ FRSB work on service performance reporting (as at 7 September 2009, to be updated as IPSASB and NZ FRSB make progress) (Agenda paper 7.3);
- (d) Paper 2: WORK IN PROGRESS - Report on staff research into domestic and international requirements and practices relating to service performance reporting (Agenda paper 7.4);
- (e) Paper 2A: WORK IN PROGRESS - Examples of statements of service performance (Agenda paper 7.4A);
- (f) AASB Project Outline: Disclosures by Private Sector Not-for-Profit Entities (August 2009) (Agenda paper 7.5); and
- (g) List of members of the AASB Private Sector Not-for-Profit Project Advisory Panel (as at 9 September 2009) (Agenda paper 7.6).

Staff reminded the Board of the views it had previously expressed on issues relating to service performance reporting in its:

- (a) draft *Process for Modifying IFRSs for PBE/NFP*, in particular paragraph 15 (see agenda paper 4.1.2 of this meeting); and
- (b) submission to the IPSASB on Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, in response to preliminary view 5, relating to the scope of financial reporting.

The Board proceeded to discuss the threshold issues pertinent to service performance reporting, discussed in agenda paper 7.2, for the purpose of identifying working assumptions upon which the staff should base its ongoing work. In particular, the Board tentatively decided:

- (a) it has an interest in the form and content of service performance reports, irrespective of whether service performance information falls within the scope of general purpose financial statements. In that regard, the Board would be reluctant to take on a project that would not include a mandatory element falling within general purpose financial statements. The Board:
  - (i) adopted a working assumption that it will develop at least some mandatory requirements, expected to be in the nature of high-level principles, whilst acknowledging the challenges it might face in developing such principles. One principle to be considered is a 'through the eyes of management' approach (whereby the performance indicators reported are those used by the entity's management to monitor the entity's performance) as a means of identifying appropriate indicators of an entity's service efficiency, effectiveness and quality. The Board noted this approach might be effective because it would not require the Board to be a subject matter expert on non-financial matters;
  - (ii) decided that the focus should be on providing information that can be used by users as input to their analysis, rather than providing an analysis. However, this should not preclude analysed information that an entity's management might regard as pertinent to reporting service performance from being included in a service performance report; and
  - (iii) considered there might be merit in developing an illustrative example of the form and content of a service performance report once the Board has clarified its views on service performance reporting;
- (b) service performance information might comprise both financial and non-financial information of a quantitative or qualitative nature, including disaggregated/program financial information, which is pertinent to the entity's principal objective and assessment of service performance. What constitutes non-financial information within a general purpose financial statements framework is to be considered;
- (c) it is premature for it to conclude whether users of general purpose financial statements of not-for-profit entities need financial information that differs from the financial information needed by users of for-profit entities, but tentatively decided that a reasonable working hypothesis is not-for-profit user disclosures needs may extend beyond for-profit user needs. The Board noted that the presentation of the conventional financial statements is outside the scope of this part of the project;
- (d) in noting the concern of some that a significant amount of service performance information is too subjective/qualitative to go into general purpose financial statements, consideration on whether service performance information falls within or outside the general purpose financial statements should be revisited when the project has been developed further. The Board noted that the audit implications might influence the view of some if service performance information were to be included in general purpose financial statements. The Board also noted that if service performance information were to be subject to audit, that might add rigour to the quality of the information provided;
- (e) consideration should be given to identifying a constraining principle for the information the AASB might decide should be included in service performance reports. The Board directed staff to develop a draft paper on this issue for discussion at a future Board meeting. The paper should include consideration of at least the following possible constraints:
  - (i) information that explains amounts recognised in the financial statements; and
  - (ii) information that is directly related to the principal, not-for-profit, objective of the entity;

- (f) staff should include in their ongoing research examples in practice of good service performance reporting by not-for-profit and for-profit entities in the private and public sectors; and
- (g) consideration should be given to the implications for service performance reporting if an entity has a multi-year plan or vision.

The Board also considered the range of entities that might be affected by this project and decided to:

- (a) formally consider the project in the light of its *Process for Modifying IFRSs for PBE/NFP*, before determining whether the project should have implications for for-profit entities. In the meantime, the focus will continue to be on not-for-profit entities; and
- (b) reconsider whether the project should have implications for public sector entities after it has discussed the project with the New Zealand Financial Reporting Standards Board (FRSB). The AASB noted that the FRSB's project on service performance reporting has a scope of both private and public sector not-for-profit entities. The extent to which the respective projects might be progressed jointly will be discussed at the forthcoming joint AASB/FRSB meeting in October 2009.

The Board also noted that the information relating to Queensland regulations, included in agenda paper 7.4, was out of date and Ms Highland offered to provide staff with the updated materials.

Action:	Staff Ms Highland
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## Issue from Practice

Agenda Item 8

The Chairman asked members to outline issues in practice about which the Board and staff should be aware. Several issues were raised including:

- (a) difficulties encountered in applying the impairment standard; and
- (b) a difference between the definition of 'going concern' between Australian Accounting Standards and Australian Auditing Standards, which it is understood the AUASB is addressing.

## Interpretations

Agenda Item 9

The Board had before it:

- (a) a memorandum from Joanna Spencer dated 8 September 2009 (Agenda paper 9.1);
- (b) a paper: Interpretation issues in progress (IFRIC and domestic topics as at 8 September 2009 (Agenda paper 9.2);
- (c) a copy of a letter from Alan Teixeira dated 25 August 2009 re IAS 24 *Related Party Disclosures* (Agenda paper 9.2.1);
- (d) a memorandum from Joanna Spencer dated 7 September 2009 (Agenda paper 9.3);
- (e) draft submission to IFRIC re D25 *Extinguishing Financial Liabilities with Equity Instruments* (Agenda paper 9.3.1);
- (f) IFRIC Draft Interpretation D25 *Extinguishing Financial Liabilities with Equity Instruments* (Agenda paper 9.3.2);
- (g) *IFRIC Update* August 2009 (Agenda paper 9.3.3); and

- (h) AASB Constituent response relating to D25 (Sub 1) (Agenda paper 9.3.4).

The Board reviewed the Interpretation issues in progress and noted that the Draft Interpretation D25 *Extinguishing Financial Liabilities with Equity Instruments* was issued by the IFRIC in August 2009. The Board considered the proposals in Draft Interpretation D25 and decided that its submission to the IFRIC should support these proposals subject to clarification of the scope. The Chairman will review the final submission.

The Board also noted a response from IASB staff to a joint letter from the Chairs of the AASB and FRSB requesting that the IASB clarify whether the definition of key management personnel in IAS 24 *Related Party Disclosures* includes entities as well as individuals. The response suggests that the AASB and the FRSB refer the matter to the IFRIC for clarification. The Board decided that, even though the issue had previously been referred to and rejected by the IFRIC, staff should develop a further issues paper. It was agreed that this issues paper should be circulated to National Standard Setters for feedback to determine if any other jurisdictions are experiencing the same issues. Following this process, it is intended that the issue be re-submitted to the IFRIC for clarification.

Action: Staff  
Chairman

## Rate-regulated Activities

Agenda Item 10

The Board had before it:

- (a) a memorandum from Jessica Lion and Siva Sivanantham dated 9 September 2009 (Agenda paper 10.1);
- (b) AASB ED 185 *Rate-regulated Activities* (Agenda paper 10.2); and
- (c) PowerPoint slides (Agenda paper 10.3 – tabled)

The Board received an education session on the IASB's ED/2009/8 *Rate-regulated Activities* with staff providing an overview of the proposals, how rate-regulation generally operates in Australia and the preliminary comments received through constituent liaison. The Board noted the issues raised concerning the limited scope of the proposals and the rationale behind some of the arguments in the Basis for Conclusions. The Board also noted that some further constituent liaison among government-owned monopoly insurers may be helpful.

It was generally agreed that the submission should question the rationale for the limited scope and express the Board's considerable concern as to whether regulatory assets and liabilities exist rather than agree or disagree with the proposals. It was also agreed that the submission should include the insights gained through constituent liaison. In addition, the Board indicated that it did not prefer the US GAAP method of dealing with uncertainty as a matter of recognition, rather than as a measurement issue.

The Board noted that a draft submission will be considered at the joint AASB/FRSB meeting in October 2009, at which time the Board will also consider constituent comment letters on AASB ED 185.

Action: Staff

## Insurance Contracts

Agenda Item 11

The Board had before it:

- (a) a memorandum from Dean Ardern dated 2 September 2009 (Agenda paper 11.1); and
- (b) a staff paper comparing the candidate liability measurement approaches considered by the IASB in its Insurance Contracts project and the liability measurement approaches under AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* (Agenda Paper 11.2).

The Board considered Agenda Paper 11.2 and noted that the IASB is currently working towards publishing an ED on insurance contracts by December 2009. The Board also noted that the IASB's forthcoming ED on insurance contracts is likely to:

- (a) propose an approach based on an updated version of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as the principal measurement approach for all types of insurance contracts. Based on IASB decisions to date, an insurance liability under this approach would reflect the amount the insurer would rationally pay at the end of the reporting period to be relieved of the contract. Such an amount would:
  - (i) be the lowest of:
    - (A) the value to the entity of not having to fulfil the obligation;
    - (B) the amount the entity would have to pay to cancel the obligation; or
    - (C) the amount the entity would have to pay to transfer the obligation to a third party;
  - (ii) comprise a separately calculated risk margin that reflects the amount that the insurer would pay to be relieved of the risk in the expected cash flows of the insurance contracts. In addition, the risk margin would be:
    - (A) recognised in the insurer's profit or loss as the insurer is released from risk over the contract's coverage period only; and
    - (B) subject to remeasurement at each reporting date and any remeasurement changes would be recognised in the profit or loss;
  - (iii) comprise, if applicable, a separately calculated service margin which reflects the compensation a contractor or the insurer would require to provide the services, depending upon whether there is an efficient market for such services. In addition, any service margin would be subject to remeasurement at each reporting date and any remeasurement changes would be recognised in the profit or loss; and
  - (iv) include a residual margin for any difference between the premium and the present obligation arising from insurance contracts plus the risk margin and any service margin at inception. In addition, the residual margin would be recognised in the insurer's profit or loss on the basis of the passage of time and over the shortest possible period;
- (b) propose that the rate used to discount insurance liabilities should reflect the characteristics of the liability and be determined consistent with the guidance for fair value measurement in IFRSs;
- (c) propose that an unearned premium approach be required (rather than permitted) to be used for pre-claims liabilities of short duration insurance contracts where the approach is considered to be a simplified version of the approach based on an updated version of IAS 37;
- (d) include a discussion on the current fulfilment value approach that includes a composite margin and invite comments from constituents on this approach. The composite margin would be calibrated to the premium at the inception of the insurance contract. Accordingly, the composite margin would comprise an implicit risk margin and, if applicable, an implicit service margin, and both of these margins would not be subject to remeasurement over the contract's coverage period; and

- (e) propose that incremental acquisition costs that are incurred to establish an insurance contract be expensed when incurred and recognise part of the premium expected to recover the incremental acquisition costs as revenue on inception of the insurance contract.

The Board noted that:

- (a) the liability measurement approach under AASB 1023 has some of the characteristics of the proposed approach based on an updated IAS 37 model whereas the liability measurement approach under AASB 1038 has some of the characteristics of the current fulfilment value approach that includes a composite margin; and
- (b) the IASB's Insurance Contracts project is a joint project with the FASB and the FASB's views currently differ from those of the IASB on a number of issues. In particular, the FASB currently favours:
  - (i) the current fulfilment value approach that includes a composite margin; and
  - (ii) insurers expensing all costs of acquiring insurance contracts when they are incurred and not recognising any revenue (or income) to offset incremental acquisition costs.

In light of the IASB's intention to publish an ED on insurance contracts by December 2009, the Board decided not to provide input to the IASB on selected insurance issues at this stage. However, the Board decided that it should actively promote discussion on the ED and to make comment to the IASB as part of the formal due process.

The Board also decided that:

- (a) staff should identify constituents with relevant experience to provide the Board with input on selected insurance issues at future Board meetings; and
- (b) insurance contracts should be included on the agenda for the joint meeting with the FRSB in October 2009.

Action:

Staff

## IPSASB Report

Agenda Item 12

The Board had before it:

- (a) a memorandum from Clark Anstis dated 31 August 2009 (agenda paper 12.1);
- (b) the agenda for the IPSASB meeting, 8-11 September 2009 (agenda paper 12.2); and
- (c) the agenda for the IPSASB Conceptual Framework Sub-Committee meeting, 7 September 2009 (agenda paper 12.3).

The Board received a verbal report on the IPSASB's September 2009 meeting, at which the IPSASB discussed:

- (a) the responses received on its Exposure Drafts concerning financial instruments, entity combinations from exchange transactions, intangible assets and agriculture – the IPSASB expects to approve final International Public Sector Accounting Standards (IPSASs) on these topics at its next meeting, in December 2009; and
- (b) its projects on the conceptual framework (measurement), long-term fiscal sustainability, and service concession arrangements – a consultative paper The Long-Term Sustainability of Public Finances is

expected to be issued in November 2009 for comment by the end of April 2010, and a draft exposure draft on service concession arrangements will be considered at the next IPSASB meeting.

Staff noted that the IPSASB Conceptual Framework Sub-Committee discussed a partial draft of a consultative paper concerning the elements of the financial statements.

The Board did not make any decisions in relation to the report.

## Superannuation and Approved Deposit Funds

Agenda Item 13

The Board had before it a memorandum from Dean Ardern dated 2 September 2009 (Agenda paper 13.1).

The Board considered Agenda Paper 13.1, which provides a summary of the main issues discussed with constituents at its roundtable discussions held in August 2009 on the proposals in ED 179 *Superannuation Plans and Approved Deposit Funds*, and noted the key points (refer to Attachment A).

The Board noted that the due date for submissions on ED 179 is 30 September 2009.

The Board decided that staff should communicate with entities that have some of the characteristics of a superannuation plan or approved deposit fund, such as managed investment schemes and pooled superannuation trusts, to ensure that they understand the Board's reasons for proposing that these entities be scoped out of the replacement Standard for AAS 25.

Action: Staff

## Financial Instruments

Agenda Item 14

The Board had before it:

- (a) A memorandum from Natalie Batsakis dated 9 September 2009 (Agenda paper 14.1);
- (b) IASB/IASC Foundation response to April 2009 G20 Recommendations (Agenda paper 14.2);
- (c) AASB submission to IASB ED/2009/3 *Derecognition* (Proposed Amendments to IAS 39 and IFRS 7) (Agenda paper 14.3);
- (d) AASB submission to IASB ED/2009/7 *Financial Instruments: Classification and Measurement* (Agenda paper 14.4);
- (e) AASB submission to IASB ED/2009/9 *Classification of Rights Issues* (Agenda paper 14.5);
- (f) AASB submission to IASB DP *Credit Risk in Liability Measurement* (Agenda paper 14.6);
- (g) AASB submission to IASB Request for Information ('Expected Loss Model') – *Impairment of Financial Assets: Expected Cash Flow Approach* (Agenda paper 14.7);
- (h) AASB Constituent responses relating to ED 177 *Derecognition (Proposed Amendments to IAS 39 and IFRS 7)* (Subs 1-8) (Agenda paper 14.8);
- (i) AASB Constituent responses relating to ED 184 *Financial Instruments: Classification and Measurement* (Subs 1-7) (Agenda paper 14.9);
- (j) AASB Constituent response relating to ED 184 (Sub 8) (Agenda paper 14.9 additional);
- (k) AASB Constituent response relating to ED 184 (Sub 9) (Agenda paper 14.9 addition A);

- (l) AASB Constituent responses relating to ED 186 *Classification of Rights Issues (Proposed Amendments to AASB 132)* (Subs 1-2) (Agenda paper 14.10);
- (m) AASB Constituent response relating to ED 186 (Sub 3) (Agenda paper 14.10 additional);
- (n) AASB Constituent responses relating to ITC 21 Request for Comment on IASB Discussion Paper DP/2009/2 *Credit Risk in Liability Measurement* (Subs 1-3) (Agenda paper 14.11);
- (o) AASB Constituent response relating to ITC 21 (Sub 4) (Agenda paper 14.11 additional);
- (p) AASB Constituent responses relating to Discussion Paper AASB 139 IASB Request for Information - *Impairment of Financial Assets: Expected Cash Flow Approach (Expected Loss Model)* (Subs 1-2)(Agenda paper 14.12);
- (q) AASB Constituent response relating to Discussion Paper AASB 139 (Sub 3) (Agenda paper 14.12 additional); and
- (r) Comparison of IASB and FASB proposals regarding classification and measurement of financial instruments (Agenda paper 14.13).

The Board noted its submissions made to the IASB since the AASB meeting in July 2009, the expected completion dates of the various IASB projects on financial instruments and received an update on the financial instrument activities of the IASB since July 2009.

The AASB noted that, at the September 2009 IASB meeting, the main focus of the agenda items on financial instruments was to consider responses received to the various exposure drafts and discussion papers, and to direct IASB staff on how to progress the following projects:

- (a) Derecognition;
- (b) Classification and Measurement (Phase I of the project to replace IAS 39);
- (c) Impairment of Financial Assets (Phase II of the project to replace IAS 39);
- (d) Classification of Rights Issues; and
- (e) Credit Risk in Liability Measurement.

The AASB also noted that the IASB had commenced deliberations on phase III of its project to replace IAS 39 by providing general directions to IASB staff on reforming the hedging requirements.

The IASB proposes to hold additional meetings throughout September 2009 to help ensure it meets its timeline for the three phases of its project to replace IAS 39. The AASB will continue to monitor the meetings and decisions made by the IASB, and is intending to match the IASB's timetable for publishing exposure drafts and final standards.

Action:

Staff

## **Update from National Standard Setters and World Standard Setters**

Agenda Item 15

The Board had before it:

- (a) a memorandum from Kevin Stevenson and Angus Thomson dated 16 September 2009 (Agenda paper 15.1); and
- (b) [Draft] Report of the meeting of NSS 8-9 September 2009 (Agenda paper 15.2).

The Chairman outlined the key topics considered at the September 2009 National Standard Setters (NSS) and World Standard Setters meetings, which included recent developments on financial instruments and the extent to which various jurisdictions are likely to use the IFRS for SMEs. The Board noted the draft notes from the NSS meeting and, in particular, that AASB staff presented on the comments received in response to the Discussion Paper *Initial Accounting for Internally Generated Intangible Assets* and that it was agreed AASB staff would prepare a project plan for a post-implementation review of IFRS 3 *Business Combinations* in relation to the recognition of acquired intangible assets for consideration at the next NSS meeting.

Action: Staff

## Emerging Issues

### Agenda Item 16

The Board discussed how staff should proceed with regard to obtaining constituent feedback on the working draft Discussion Paper on Extractive Activities by the research project team in August 2009. The Board was informed that some liaison had taken place between staff and the oil and gas industry and that the Chairman and staff plan to attend roundtables conducted by accounting firms over the coming months. It was agreed that any feedback received on the draft working paper would be forwarded to the research project team with a view that significant comments/concerns could be incorporated into the final drafting of the Discussion Paper prior to its issuance by the IASB in early 2010. It was also decided that the AASB should not conduct any formal consultation (i.e. AASB Roundtables) until the Discussion Paper is formally issued by the IASB for comment.

Action: Staff

## Policy on Informal or Confidential Submissions

### Agenda Item 17

The Board had before it:

- (a) memorandum from Kevin Stevenson dated 1 September 2009 (Agenda paper 17.1); and
- (b) draft Policy: Handling of Submissions made Confidentially or Informally (Agenda paper 17.2).

The Board agreed on a policy in relation to informal/confidential submissions subject to a final out of session review process. The policy is aimed at helping to ensure a transparent due process and will initially be published with the minutes (see Attachment B), and the policy content (probably abbreviated) will be incorporated into the Board's forthcoming revised Policy Statement on its policies and processes.

Action: Staff  
Members

## ***AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters***

### Agenda Item 18

The Board had before it:

- (a) a memorandum from Maybelle Chia and Clark Anstis dated 4 September 2009 (agenda paper 18.1);
- (b) a draft amending Standard AASB 2009-X *Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters* (agenda paper 18.2); and
- (c) IASB Standard *Additional Exemptions for First-time Adopters (Amendments to IFRS 1)* (July 2009) (agenda paper 18.3).

The Board noted that the amendments concern the initial measurement of oil and gas assets and the determination of whether an arrangement contains a lease. Members discussed in particular the proposed exemption that would allow first-time adopters to elect to measure exploration and evaluation assets at the date of transition to Australian Accounting Standards using a 'full cost' accounting method. Such a method allows exploration and development costs to be accounted for in cost centres that include all properties in a large geographical area.

Members noted that Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources*, paragraphs Aus7.1-Aus7.3, require exploration and evaluation assets to be recognised only in relation to an area of interest, which is defined by reference to 'an individual geological area'. Members agreed that this requirement could be inconsistent with the initial measurement of exploration and evaluation assets under a full cost method, but concluded that the inconsistency is unlikely to arise in practice. The Board decided to include the exemption in AASB 1 as stated in the IASB Standard.

The Board made Accounting Standard AASB 2009-9 *Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters* on the basis of the draft Standard AASB 2009-X, for application to annual reporting periods beginning on or after 1 January 2010.

Action: Staff

## Other Business

Agenda Item 19

The Board had before it:

- (a) a memorandum from Angus Thomson and Robert Keys dated 2 September 2009 regarding the AASB work program (Agenda paper 19.1);
- (b) AASB Work Program prepared August 2009 (Agenda paper 19.1.1);
- (c) AASB Approach to Public Sector Issues (as at August 2009) (Agenda paper 9.1.2);
- (d) 'Pipeline' Document as at 2 September 2009 (Agenda paper 9.1.3);
- (e) a letter to Sir David Tweedie, Chairman IASB, from Kevin Stevenson, Chair AASB, dated 31 July 2009 re IASB Exposure Draft ED/2009/2 *Income Tax* (Agenda paper 19.2)
- (f) a letter to Sir David Tweedie, Chairman IASB, from Kevin Stevenson, Chair AASB, dated 10 August 2009 re Exposure Draft ED/2009/4 *Prepayments of a Minimum Funding Requirement (Proposed amendments to IFRIC 14)* (Agenda paper 19.3);
- (g) an email to Wayne Upton, IASB, from Joanna Spencer, Project Manager AASB, dated 3 September 2009 re IASB/IFRIC disclaimers (Agenda paper 19.4);
- (h) FRSB *Alert* – Summary as at 24 August 2009 (Agenda paper 19.5);
- (i) a letter to Stephenie Fox, Technical Director IPSASB, from Kevin Stevenson, Chair AASB, dated 4 August 2009 re Exposure Drafts ED's 37, 38 and 39 Financial Instruments (Agenda paper 19.6);
- (j) a letter to Stephenie Fox, Technical Director IPSASB, from Kevin Stevenson, Chair AASB, dated 10 August 2009 re Exposure Draft ED 41 *Entity Combinations from Exchange Transactions* (Agenda paper 19.7);
- (k) a letter to Stephenie Fox, Technical Director IPSASB, from Kevin Stevenson, Chair AASB, dated 19 August 2009 re Exposure Draft ED 40 *Intangible Assets* (Agenda paper 19.8);

- (l) IASC Foundation – Part 2 of the Constitution Review – *Proposals for Enhanced Public Accountability* (Agenda paper 19.9);
- (m) IASB daily staff *Update* - 15 September 2009 (Agenda paper 19.10);
- (n) IASB daily staff *Update* - 16 September 2009 (Agenda paper 19.11);
- (o) IASB daily staff *Update* - 17 September 2009 (Agenda paper 19.12);
- (p) IASB daily staff *Update* - 18 September 2009 (Agenda paper 19.13); and
- (q) IASB daily staff *Update* - 22 September 2009 (Agenda paper 19.14).

The Board noted the correspondence.

## **GAAP/GFS Harmonisation for entities within the GGS**

Agenda Item 21

The Board had before it:

- (a) a memorandum from Robert Keys dated 22 September 2009 (Agenda paper 21.1);
- (b) an email string between Peter Gibson (Branch Manager Australian Government Department of Finance and Deregulation) and Kevin Stevenson (AASB Chairman) relating to GFS/GAAP harmonisation at entity level, dated 14 September 2009 to 21 September 2009 (Agenda paper 21.2);
- (c) an advance copy of a letter from Kathryn Campbell (Deputy Secretary Budget Group Department of Finance and Deregulation) to Jeffrey Lucy (FRC Chairman), dated September 2009 (Agenda paper 21.3);
- (d) an advance copy of Attachment A *Illustration showing how harmonisation at entity level facilitates comparison between the consolidated general government sector financial statements to individual agency financial statements* and Attachment B *Illustration showing how lack of harmonisation at entity level means comparability between the consolidated general government sector financial statements to individual agency financial statements is lost* to the letter in agenda paper 21.3 (Agenda paper 21.4);
- (e) an advance copy of Attachment C *GAAP/GFS Harmonisation – Some notes on issues arising from the consultation process surrounding AASB 174* to the letter in agenda paper 21.3 (Agenda paper 21.5);
- (f) draft memorandum from AASB Chairman to FRC members dated X August 2009 (Agenda paper 21.6); and
- (g) draft Progress report on the AASB's GAAP/GFS harmonisation project (attachment to agenda paper 21.6) (Agenda paper 21.7).

Mr Tim Youngberry, Acting General Manager – Financial Management Group, from the Department of Finance and Deregulation of the Australian Government, outlined to the Board the Department's view of the benefits users of the general purpose financial statements of entities within the GGS might derive if the Board were to issue GAAP/GFS harmonisation requirements based on the proposals in Exposure Draft ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]*. Mr Youngberry advised the Board that the Minister of Finance and Deregulation had also written to the Board expressing views consistent with those contained in agenda paper 21.3 and Mr Youngberry's presentation.

Mr Youngberry's presentation provided Board members with an opportunity to explore the issues in detail. The presentation and related discussion focused on a range of issues, including:

- (a) the identification of users and their information needs, including accountability and understandability;
- (b) the decision usefulness of a transactions/other economic flows split on the face of the operating statement, diverse practice around the adoption of a net cost of services format or a more conventional net surplus/deficit format, and the potential implications of and for the IASB project on financial statement presentation;
- (c) information about an entity's (in contrast to a function's) contribution to the GGS and whole of government results;
- (d) the potential benefits to users from comparability within and across jurisdictions if a standard based on ED 174 were to be developed;
- (e) the extent to which implementation costs would be incurred if such a standard were adopted;
- (f) the level of interest in Australia's work on GAAP/GFS harmonisation internationally; and
- (g) the relative merits of the AASB, as an independent standard setter, imposing requirements rather than voluntary guidance.

The session was for information purposes, and no decisions were made.

The Board will consider the matters raised during the discussion, together with earlier comments made by other constituents in response to ED 174, at its October 2009 meeting with a view to determining the Board's next step in relation to the project.

## Review

Agenda Item 20

The Board discussed:

- (a) the necessity of holding a strategy meeting, possibly with the FRC; and
- (b) the development of a communication strategy.

The Chairman advised members that requests from media were becoming more frequent and the main areas of focus are:

- (a) the AASB's work with the IASB;
- (b) public sector issues;
- (c) differential reporting;
- (d) not-for-profit private sector;
- (e) trans-Tasman cooperation; and
- (f) fair value measurement and its relationship to the *Framework*.

## Close of Meeting

The Chairman closed the meeting at 3.45 p.m. on Thursday 24 September 2009.

## Approval

Signed by the Chairman as a correct record  
this 29<sup>th</sup> day of October 2009

## Attachment A

### Superannuation and Approved Deposit Funds

The Board noted that some participants expressed concerns that the preparation and auditing costs that would be imposed on superannuation entities under some of the proposals in ED 179 would exceed the benefits derived by users from the information provided. In particular, the Board noted that many participants:

- (a) consider consolidated financial reporting to be a 'fact of life' in the context of general purpose financial reporting and appropriate in many circumstances. However, some participants consider that consolidated financial reporting by superannuation entities is not justified on cost-benefit grounds because members do not necessarily have a notional interest in each of the assets held by such entities and some members may have no investment exposure to subsidiaries. Accordingly, users are likely to experience difficulties in reconciling the assets presented in a superannuation entity's statement of financial position with the particular investment options offered by the entity;
- (b) favour the replacement Standard for AAS 25 requiring obligations for defined benefit members' benefits to be measured at the amount of such members' vested benefits because:
  - (i) members generally have a better understanding of what vested benefits are as it is basis of the benefits reported to them in their individual member statements; and
  - (ii) accrued benefits are relevant to an employer sponsor that has promised a future benefit but arguably less relevant to a superannuation plan that is limited in its legal obligation to members to the amount of its assets;

However, if the replacement Standard for AAS 25 were to require obligations for defined benefit members' benefits to be measured at the amount of such members' accrued benefits, most participants indicated that they favour the measurement requirements for defined benefit obligations under AASB 119 *Employee Benefits* also being applied to defined benefit members' accrued benefits;

- (c) are supportive of the proposal for a statement of changes in member benefits. However, some participants are concerned that five separate statements (income statement, statement of financial position, statement of cash flows, statement of member benefits and statement of changes in equity) would be excessive and that four financial statements might be sufficient to present the same information. Accordingly, some participants suggest that:
  - (i) the statement of changes in member benefits could be merged with the statement of changes in equity because equity in a superannuation plan would, in most cases, comprise reserves which will ultimately be used for the benefit of members;
  - (ii) the statement of changes in member benefits could be merged with the income statement to provide a 'comprehensive' income statement that distinguishes revenues and expenses from contributions and benefit payments; or
  - (iii) the information in a statement of changes in member benefits and/or a statement of changes in equity could be disclosed in a note; and
- (d) express agreement with the principle underlying the segmented information disclosure proposals, particularly if the proposals facilitated improved disclosures about the risks that attach to different groups of members. However, most of these participants suggest that the proposals might not always facilitate such risk-based disclosures, particularly when the superannuation plan:
  - (i) pools all of its assets for investment purposes; and
  - (ii) comprises different groups of members and these groups are entitled to different types of benefits, which imply different types and levels of risks.

Accordingly, some participants suggest separate quantitative disclosures based on defined contribution and defined benefit groupings might be sufficient for some users. Other participants suggested that qualitative disclosures regarding, for instance, whether all of the plan's assets are available to fund all members' entitlements and how the trustee manages these arrangements might be a more appropriate approach.

The Board also noted that some participants consider that, if the proposals in ED 179 were to be adopted, the replacement Standard for AAS 25 should provide more guidance in relation to:

- (a) the preparation of consolidated financial statements where:
  - (i) control over a subsidiary is transitory;
  - (ii) the superannuation entity's ownership interest fluctuates around 50% of the outstanding equity as a consequence of the investment decisions of other investors in the subsidiary;
  - (iii) the information needed to prepare consolidated financial statements is not readily available; and
  - (iv) control is based upon a number of quantitative and qualitative factors;
- (b) how the principles and requirements applicable to life insurance contracts under AASB 1038 *Life Insurance Contracts* might be applied by a superannuation plan, including:
  - (i) the types of circumstances in which a superannuation plan would be exposed to significant insurance risk;
  - (ii) the specific principles and requirements in AASB 1038 that would potentially apply to a superannuation plan with significant insurance risk; and
  - (iii) how a superannuation plan with significant insurance risk might measure the obligations and assets arising from the insurance arrangements it provides to its members in accordance with AASB 1038.

## Attachment B

### Policy on submissions made to the AASB (including informal and confidential submissions)

#### Introduction

The AASB gathers information in a number of ways, including through submissions from constituents. Submissions are a valuable source of information for the AASB in progressing its work, and the AASB is always grateful for the time constituents devote to providing their input to the standard setting process.

Most submissions received by the AASB are the result of a formal due process involving a consultative document, such as an Invitation to Comment or Exposure Draft, but submissions may also be received in other contexts.

#### Definition of submission

A 'submission' means any:

- (a) formal representation providing input to the Board as part of the Board's due process; or
- (b) informal representation to the Board or an individual member intended to influence the decision-making of the AASB or its members in their capacity as members;

about possible, proposed or existing financial reporting requirements. It includes a representation made outside the current due process (for example, an e-mail sent directly to an AASB member rather than addressed to the AASB as a submission or a representation on an existing standard not currently the subject of a consultative document or project).

#### Making submissions publicly available

In order to treat all constituents equitably, submissions to the AASB or its members are subject to the same procedures unless otherwise determined by the Chairman (see below). In the interests of transparency, it is the AASB's policy to make submissions publicly available by having them placed on the AASB's website.

#### Guidance on informal and confidential submissions

*Confidential Submissions* – the Chairman has the right to allow a submission to be treated as confidential if, because of exceptional circumstances, it is in the public interest for the AASB to consider the submission and there is no practicable way for the matter to be otherwise raised with the AASB. The Chairman can assist any party seeking to make a confidential submission to find a way to allow that submission to become public. The Chairman has the right to refuse to accept a submission if it is to remain confidential.

*Privately expressed views* – a submission includes a privately expressed view intended to unduly influence an individual member. Members need to be conscious of situations in which discussions or other communications might be directed at unduly influencing the AASB's decision-making or the balance of voting in a particular circumstance. AASB members, where practicable, make people aware that a discussion on an issue of relevance to the Board may need to be made public. If AASB members are in doubt as to whether to treat an approach as a submission, they consult with the Chairman.

*AASB Education Sessions* – Parties wanting to educate the AASB, or present a view to the AASB, can seek to do so through a public education meeting. The Chairman concludes on whether this is to take place. Private meetings with the AASB are not available without the Chairman's consent (for example, the Chairman might consent when commercially sensitive information is involved and no alternative arrangement is practicable).

*Dialogue Not Constituting a Submission* – AASB members are expected to liaise with constituents to better understand their views, explain the AASB's views and to encourage participation in the formal due process. Members may also be involved in discussions on current financial reporting issues in the course of their day-to-day activities. This policy on submissions is not intended to restrain members in conducting those activities or in their dialogue with constituents. Members use their judgement in determining what constitutes a submission. Discussions between individual members and an interested party, in which the intention is to better understand an issue, proposal, process or even a party's view, would not normally involve a submission unless material information (for example, additional to that contained in a publicly available submission from the party concerned) is put forward and that information could affect or be seen to affect the AASB's decision-making. Interested parties should be encouraged in such situations to formally lodge a submission or supplementary submission.

*Advisory Panels* – the AASB establishes Project Advisory Panels and other Advisory Panels from time-to-time and receives input from Panel members that is generally incorporated by AASB staff into Board papers. This is a transparent process and Panel membership is publicly known.

*Publicly expressed views* – a submission does not include a publicly expressed view (unless the view was then directed specifically to the AASB or its members), as the public will have the opportunity to see or hear those views where published or broadcast.

### **Standard text for inclusion in consultative documents**

The following words are included in the Preface to Exposure Drafts and other formal requests for comment:

“All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to those submissions being treated as confidential. The latter will only occur if the public interest warrants such treatment.”